

The Regional Municipality of York

Audit Committee
Finance and Administration
June 5, 2019

Report of the Commissioner of Finance

Award of External Audit Services and Appointment of Auditor for 2019 to 2023

1. Recommendations

It is recommended that:

1. Council approve the award of the contract for external audit services to KPMG LLP (KPMG), pursuant to Request for Proposal RFP 19-21 for an initial term of five years at a total cost of \$840,000.00, excluding HST, and authorize the execution of the contract on behalf of the Region.
2. The Commissioner of Finance be authorized to exercise the option to extend the contract for one additional term of five years, on the same terms and conditions, for a total five year cost of \$905,139.77, excluding HST, provided that the auditor has performed the services to the satisfaction of the Commissioner and the total cost is within the budget allocated to audit services.
3. Council appoint KPMG as the municipal auditor for the fiscal years 2019 to 2023 inclusive.
4. The Regional Solicitor be authorized to prepare the necessary bylaw to give effect to the appointment.

2. Summary

This report seeks Council authorization to retain external audit services and appoint a municipal auditor.

The Region's Purchasing Bylaw section 18.1 requires Council authorization to award a Request for Proposal when the term of the proposed contract including renewal options is greater than five years. In this case, the term of the proposed contract is five years commencing on July 1, 2019 and ending June 30, 2024, with the option to renew for one additional term of five years.

3. Background

The Region must appoint an auditor in compliance with the Municipal Act

Sections 296 (1) and (3) of the Municipal Act require that every municipality retain a municipal auditor for a term not exceeding five years. As the five-year term with the Region's current auditor expires after the 2018 fiscal year audit, the Region is required to appoint an auditor for the 2019 to 2023 fiscal years.

The Audit Committee recommends the appointment of external auditors to Regional Council

The Audit Committee Charter establishes the responsibility of the Audit Committee to review the performance of the external auditors and recommend to Regional Council the appointment or discharge of the Regional auditors. As Shareholder of the Region's three corporations: Housing York Inc., YTN Telecom Network Inc., and York Region Rapid Transit Corporation, Regional Council also appoints their auditors.

The joint procurement process covers the financial statement audits of the Region and its corporations

The proposed contract consists of annual financial statement audits for the consolidated Region (including all departments and York Regional Police), and the Region's three corporations. The contract also covers the related T2 tax filings and review of reconciliations in compliance with federal and provincial reporting requirements.

4. Analysis

Request for Proposal P-19-21 was issued February 2019

In accordance with the Region's Purchasing Bylaw, Request for Proposal "RFP" P-19-21 was released in February 2019 to obtain external audit services. P-19-21 was advertised through the Region's Bids and Tenders notification system and Biddingo. Interested proponents attended a bidders meeting on February 20, 2019 to discuss the RFP and participate in a question and answer period. P-19-21 closed on March 15, 2019 and three proposals were received.

Proposals were evaluated using the two-envelope system

Proposals were evaluated with technical and financial information submitted in two separate envelopes. The overall proposal score was evaluated on a weighting of 80 points for the technical proposal and 20 points for the financial proposal. Technical proposals were evaluated prior to any knowledge of financial information.

The Region's proposal evaluation team reviewed the three technical proposals based on the following criteria:

- Experience of proponent, proposed team and level of familiarity with municipal program delivery relevant to financial audit services
- Proposed key staff qualifications and training
- Project understanding and methodology
- Project management approach and deliverables
- Proponent's policies for confidentiality
- Value added services and innovative concepts

Proponents were required to achieve a minimum technical score of 60 per cent (48 points out of the potential 80 points) to have the financial envelope opened and their financial proposal considered. If a proponent did not achieve the minimum technical score, their financial proposal would be returned unopened. Technical and financial results for each proponent are summarized in Table 1 below.

Evaluation summary revealed KPMG as the successful proponent

The proposal submitted by KPMG demonstrated a clear understanding of the project requirements and an experienced team committed to providing the services stipulated in the scope of work. The proposal submitted by KPMG represents the best value for the Region.

The Procurement Office reviewed the evaluation summary and issued their report confirming that KPMG be recommended as the successful proponent to undertake external audit services.

Table 1
Proposal Evaluation Summary

Proponent	Technical Score (out of 80)	Total Fee (excl. HST)	Financial Score (out of 20)	Total Score (out of 100)
KPMG LLP	63.70	\$840,000	20.00	83.70
Deloitte	51.30	\$887,500	18.93	70.23
Grant Thornton LLP*	43.60	N/A	N/A	N/A

* Grant Thornton LLP failed to meet the minimum technical score of 60% (48 points) and did not have their financial proposal opened in accordance with the requirements of the RFP

5. Financial

The fee for the proposed work for the initial term of five years is \$840,000.00, excluding HST. The proposed fee is within the Region's budget allocated for audit services. The total estimated cost for the optional five year term is \$905,139.77, excluding HST. Based on

competitive pricing within the financial proposal submitted by KPMG and industry standards, the fee for the proposed work represents good value for money.

6. Local Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The contract term of the current auditor, KPMG, expires after the 2018 fiscal year audit is delivered in June 2019. In accordance with Sections 296 (1) and (3) of the Municipal Act, an auditor must be appointed for a term not exceeding five years.

Three proposals were received and evaluated in accordance with the Region's Purchasing By-law. The proposal from KPMG was the highest scoring and represents the best overall value to the Region, and it is recommended that the assignment and appointment be awarded to KPMG.

For more information on this report, please contact Jason Li, Acting Director, Controllership Office, at 1-877-464-9675 ext. 71683. Accessible formats or communication supports are available upon request.

The Senior Management Group has reviewed this report.

Recommended by:

Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

May 29, 2019
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